



100th ANNUAL GENERAL MEETING

ADDRESS BY CHAIRMAN,

SHRI.MADHAVAN ARAVAMUTHAN

Thursday | August 12, 2021

Address by Chairman Shri. Madhavan Aravamuthan, at the 100th Annual General Meeting of the shareholders of CSB Bank Ltd. at 11.00 a.m. on Thursday, August 12, 2021, through video conferencing

Dear Shareholders,

Very good morning to all of you.

It gives me immense pleasure to welcome you all to the 100th Annual General Meeting of our Bank. I feel privileged to address you, for the first time, as the Chairman of this great institution which has glorious existence of over a century. I am also delighted to extend a special welcome to those of you who have become shareholders of the Bank since the last Annual General Meeting held in July 2020. This year has been extraordinary in every sense. The pandemic has cost over 3 million lives so far, and many million jobs. For long periods, large parts of the world have been in some form of lockdown – up to half the global population at a time. Let us stand with them and exhibit our solidarity with them. (May we observe a minute's silence please).

Due to the unfortunate circumstances in the context of the COVID pandemic, this year too we have to resort to the AGM virtually, though we are earnestly hoping to meet you all in person. But we also feel this virtual meeting will enable all our valued shareholders to participate from different locations including overseas.

As you all know, in the financial year 2021, our Bank has completed 100 years of its glorious existence; an achievement very few institutions can claim. We owe our gratitude to the visionaries who gave shape to this great organization and it's our collective responsibility to take this progressively forward.

A century old trust capital fortified by the growth capital provided by M/s FIH Mauritius Investments Ltd, part of Fairfax group, has given the required terra firma for team CSB to build a new age full service bank. Rising to the challenge, team CSB paid an apt centenary tribute to the organisation by recording an all-time high net profit and returning to the growth trajectory with a bang, without compromising on asset quality. Further, your bank could also achieve a historic milestone of opening 101 branches in the 101st year of existence. Brilliant execution on the ground despite pandemic!!

On Performance

Our results have come in the backdrop of challenging macroeconomic environment induced by the pandemic along with a severe threat to human lives and livelihood. As per the latest estimates, the GDP of the country shrunk by 7.3% in FY 21. The non-food credit growth at around 5% was the lowest in the last four years. Deposit growth at 11% was more than 2 times the credit growth, causing the Credit Deposit Ratio to fall from 76.5% to 72.5%, March 20 to March 21.

In FY 21, despite heavy odds, your bank could grow advances book by 27% and deposit book by 21%. Powered by growth in business, fee income, treasury profits and interest cost reduction propelled by improved CASA mix and the tailwinds of a soft interest rate regime, net operating income grew by 65% year on year while operating profits grew by 119%. Bank has built adequate provision buffers both on standard assets and NPA front and even after that, return on Assets of close to 1% could be attained – in deed, a stellar achievement in the testing times. Significant improvement is seen in all key performance ratios; earnings per share improved from Rs.0.88 to Rs. 12.59 and Book value per share rose from Rs. 113.04 to Rs. 125.67. Bank's listed price more than doubled, enhancing the shareholder value. Bank's NPA position has significantly improved as compared to the previous financial year both in absolute and percentage terms. Unfortunately, due to certain regulatory restrictions as detailed in the Directors' Report, we are not in a position to declare dividend this year.

My colleague Mr. C VR Rajendran, MD& CEO will elaborate more on our performance in his address.

Since we began our transformation journey, the prime focus was on building the much needed operational resilience and reducing earnings volatility. We have shown overall excellence especially in terms of balance sheet/risk management, NPA reduction, building provisioning buffers and expanding our markets, especially in niche areas and select locales.

Corporate Governance Philosophy

As a significant player in the country's financial systems, any nonconformity to governance norms can jeopardize the Bank's very survival resulting in exposing customers, employees and investors to enormous financial risks. In recent years, we have seen a few financial entities going through adverse situations leading the regulators to press the reboot button.

The Bank gives paramount importance to Corporate Governance principles and hence the Corporate Governance Philosophy of the Bank is set to promote corporate fairness, transparency, and accountability, so as to maximize long-term value for all stakeholders. Your Bank is committed to high standards of corporate governance practices and upholds fairness and trust in all its dealings with its stakeholders, in line with its Corporate Governance Philosophy. This philosophy is realized through the Bank's endeavour in working towards portfolio, operational and reputation excellence. I believe this Philosophy helped the Bank to be rated as the second-best bank among all banks in India by Forbes Business Magazine in their April 2021 edition, based on the parameters of general satisfaction and key attributes like trust, fees, digital services, financial advice, etc. On the governance and risk management, the board and senior management team are following the regulatory norms in letter and spirit, and I am privy to it since my joining the Board, in December 2018.

Digital Technology Penetration

With the augmentation of digital technologies, consumers have become more demanding of virtual experiences in today's time. The pandemic has only amplified the need for easy access to banking products, services and information, and surged the need for stress-free access to banking products and services. In this direction your bank has acquired technology for delivering improved customer experience as well as to be able to compete with the leading peers in the field. Digitalization is engraved in our strategy, and in recent years we have made strides in rolling out various digital initiatives including improved internet and mobile banking options. The increased share of digital transactions in FY21 is a testimony that our strategies are delivering the required results. Our team along with our technology partners are working relentlessly on enhancing the Bank's digital capabilities to bring in more ease and better experience to the customers.

Customer Service

In the Customer service front, your bank has always endeavoured to provide high quality customer service in tune with the changing times. Your Bank has put in place, a well-defined Customer Grievances Redressal Mechanism to address any of their grievances. Your Bank strongly believes that customer service will continue to be the most important factor in maintaining and improving the Bank's role within the Indian Banking Industry.

Going Forward

We were at the beginning of the biggest reinvention in CSB's history – pivoting from being an old generation loss making bank to a name in the industry to reckon with, competing with the new generation and public sector banks alike. And we can now see that CSB's new strategy is starting to work; it has just delivered a strong set of first quarter results as well. CSB is indeed performing while transforming itself. These developments only strengthen our belief that CSB's new direction is the right one.

So, we have reasons for optimism about the years ahead and what they hold for CSB and our shareholders. But we also recognize that the journey thus far has demanded difficult decisions. Turning CSB into a leaner, nimbler and more efficient Bank – what we call Reinventing CSB. And I believe CSB's new financial frame and investor proposition should instil confidence – as the CSB is making strong progress in meeting its financial priorities. I expect the progress to continue at a healthy pace.

The impact of the COVID-19 pandemic is likely to pose challenges to Indian banks' improving financial performance once the asset-quality risks manifest in the financial year 2022. However, the tapering of the second wave, coupled with an aggressive vaccination push, has brightened near-term prospects for the Indian economy. A supportive financial environment and continued policy support have contributed to nurturing the recovery; the game-changer has, however, been the speed and scale of vaccination, and the consequent unlocking. We will closely monitor the external situation as well as keep ourselves agile to mitigate its negative impact.

We firmly believe that setting our strategic intent clearly, being consistent with them and moving in rhythm with the environment around us is the surest way of making our journey successful. In this background, with the new high quality leadership team in place, I am very excited about the future and sincerely believe that CSB's best days are just ahead.

Acknowledgements

On behalf of my colleagues on the Board, I place on record our gratitude for the support and guidance extended by the Ministry of Finance and Ministry of Corporate Affairs, Government of India, Government of Kerala, Reserve Bank of India, SEBI, and other regulatory authorities.

I would also like to express my sincere thanks to our valued shareholders and customers for their continued support and for their confidence reposed on the Bank.

I would like to use this opportunity to thank Mr. Rajendran MD & CEO and the entire Management team along with their staff for their efforts in turning around the Bank as well as laying the foundation for a strong and successful future for the Bank. Our people have continued to work under tough Covid restrictions. I want to thank each one of them. In extraordinary times they have responded with extraordinary commitment and sincerity. Just as I am grateful to those on CSB's operational front line and back-office support, I am grateful to CSB's leadership for the commitment they have shown in executing the strategy that the Board has set out. They have achieved major changes – while running CSB's operations effectively and efficiently. This will be a long journey, and a challenging one.

I would also put on record my gratitude to the electronic and print media for their support in all our activities. My grateful thanks are also due to our other stakeholders in society.

I wish to make a special mention on the invaluable contribution of Mr. Madhavan Menon, my predecessor chairman for setting up a good corporate governance framework in the Bank, and also the sheer professionalism that he displayed during his tenure by sharing unbiased, decisive and professional opinions, keeping in view of all the stakeholders' interest at hand though he is part of the promoter of the Bank.

Permit me to conclude by stating that, Your Bank is committed to continuously improve its operations and differentiate itself in the marketplace through customer focused innovations in products and services, with the aim of building a strong and sustainable Bank in the coming years.

Stay Safe.

Thank you

Place: Chennai
Date: August, 12, 2021

(Madhavan Aravamuthan)
Chairman